In the Supreme Court of the United States

OCTOBER TERM, 1946

No. 164

TOMLINSON I. MOSELEY, RALPH M. KEELE AND KEELMO CO. (A CORPORATION), PETITIONERS

v.

UNITED STATES APPLIANCE CORPORATION

MEMORANDUM FOR THE UNITED STATES AS AMICUS CURIAE IN SUPPORT OF THE PETITION FOR A WRIT OF CERTIORARI

The Government believes that this case presents questions of public importance which have not been decided by this Court and which were improperly decided herein by the court below. Accordingly, we urge that the petition for a writ of certiorari be granted.

The essential facts are as follows: Petitioner Keele invented and patented a hair-waving device, and assigned the patent to respondent. Thereafter, Keele invented a modification of the device and applied for a patent thereon. Prior to the issuance of the second patent, Keele, together with petitioners Moseley and Keelmo as co-owners of an interest in the modification, granted an exclusive license to the Rilling-Arnao

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Company to make and sell the modified device. In the course of the negotiations preceding the grant of the license, petitioners made some of the devices and showed them to Rilling-Arnao. Petitioners also furnished Rilling-Arnao with models and designs of the device. A patent on the modification was subsequently obtained.

Respondent brought suit for infringement of the first patent against petitioners and the Beauty Shop Supply Co., an authorized user of the modified device under the Rilling-Arnao license. The suit was dismissed as to the user on the grounds that the first patent was invalid. However, respondent was permitted, on an accounting, to recover from petitioners the sum of $12,186.13, approximately one-half the net profit received by petitioners under the license. The court below affirmed the recovery, holding that petitioners' act of licensing Rilling-Arnao was in itself an infringement of the first patent and, further, holding petitioners estopped to challenge the validity of the first patent (R. 210, 213).[1] We submit that this decision was incorrect.

[1] The court below also held that petitioners' manufacture of the modified device for the purpose of the license negotiations constituted a direct infringement of respondent's patent (R. 213). Damages for this manufacture, if a direct infringement, would be negligible. The judgment below, affirming a recovery of one-half the net profits under the license, necessarily rests on its holding that petitioners' act of licensing was in itself an infringement.

Petitioners' grant of a license to Rilling-Arnao was no more than agreement not to interfere with the licensee's use of the invention. *DeForest Co.* v. *United States,* 273 U. S. 236, 242; *United Shoe Machinery Corp.* v. *United States,* 258 U. S. 451, 463; *Western Electric Co.* v. *Pacent Reproducer Corp.*, 42 F. 2d 116 (C. C. A. 2). Although respondent owned a patent on the basic device, petitioners owned a presumptively valid patent on the modification. A person seeking to use or make the device would need separate licenses from the owners of both patents, if they were both valid. The owner of the patent on the modification does not by granting a license on his patent in any way imply that a license is unnecessary on the basic device. The license here merely authorized Rilling-Arnao to use the modifications of the device under petitioners' patent and did not authorize the use of any device covered by patents owned by others. The licensee was free to decide whether either or both patents were of sufficient probable validity to warrant the payment of a royalty for their use. Rilling-Arnao apparently concluded (and properly) that respondent's patent was invalid and, accordingly, refused to pay toll under it. On the other hand, Rilling-Arnao apparently concluded that petitioners' patent was valid and agreed to pay royalties for the use of the modifications.

These circumstances do not justify a charge of infringement against petitioners. Petitioners, in granting the license, did not in any sense make, use or vend the invention covered by respondent's patent without respondent's consent. Accordingly, the act of granting the license cannot constitute a direct infringement or an invasion of respondent's "* * * exclusive right to make, use and vend * * *", under R. S. 4884, 35 U. S. C. 40, the device covered by its patent. *George Close Co.* v. *Ideal Wrapping Mach. Co.*, 29 F. 2d 533 (C. C. A. 1); *New Wrinkle Inc.* v. *Fritz*, 30 F. Supp. 89 (W. D. N. Y.); *B. B. Chemical Co.* v. *Ellis*, 117 F. 2d 829 (C. C. A. 1), affirmed, 314 U. S. 495.

Furthermore, the decision below on the issue of infringement cannot be supported by the doctrine of contributory infringement.[2] It is well settled that there can be no contributory infringement unless "there is a completed infringement to which a contribution can be made." *Sutton* v. *Gulf Smokeless Coal Co.*, 77 F 2d 439, 441 (C. C. A. 4); *Bullock Elec. & Mfg. Co.* v. *Westinghouse Co.*, 129 Fed. 105, 110–111 (C. C. A. 6); *Galvanizing Co.* v. *Marketing Tool and Mfg. Co.*, 26 F. 2d 593, 594 (C. C. A. 1); *Popular Mechanics Co.* v. *Brown*, 245 Fed. 859

[2] The court below did not refer to or rely upon that doctrine in its decision.

(C. C. A. 7); *Computing Scale Co.* v. *Toledo Computing Scale Co.*, 279 Fed. 648, 678 (C. C. A. 7); *Lincoln Engineering Co* v. *Stewart-Warner Corp.*, 91 F. 2d 757, 763–764 (C. C. A. 7), reversed on other grounds, 303 U. S. 545. Here, the suit was dismissed as to the user of the modified device on the ground that respondent's patent was invalid. Thus, the necessary finding of direct infringement is entirely lacking.[3]

As stated above, the Government considers the questions herein to be of public importance. The decision below unwarrantedly extends the scope of control and would seriously discourage the licensing of patents to the detriment of the public. Overlapping patents are very common. Where overlapping occurs, one who licensed anyone except the holder of the overlapping patent would be liable as an infringer under the doctrine applied by the court below. Many patentees are able to exploit their inventions only by licensing or selling their patents. The decision below would seriously narrow the market

[3] In any event, the acts of petitioners herein could not properly be considered as aiding or abetting an act of direct infringement, even if a direct infringement existed. The mere showing of the modified device or furnishing information concerning it is not sufficient. There is nothing to indicate that petitioners provided the licensee with any information that could not have been obtained by an examination of the patent disclosures. Nor, in view of the limited nature of a license, can the mere granting of the license herein be viewed as contributory infringement.

for their inventions and lead to an increasing concentration of patents in the hands of dominant patentees, thereby extending monopoly power and reducing the likelihood that a patent's validity will be challenged.

The decision below as to infringement becomes particularly objectionable when, as here, it is combined with the estoppel doctrine. The effect upon employees, who customarily must assign their patents to their employers, would be especially serious. It would mean that such employees would, as a practical matter, often be precluded from disposing of subsequent patent rights to anyone else, even though they covered inventions made long after employment was terminated.

This Court has recently adverted to the undesirability of a concentration of patents in the hands of dominant patentees. *Hartford Empire Co.* v. *United States,* 323 U. S. 386, 407. Further, the doctrines of estoppel and contributory infringement have been subject to question. *Scott Paper Co.* v. *Marcalus Co.,* 326 U. S. 249; *Sola Electric Co.* v. *Jefferson Electric Co.,* 317 U. S. 173; *Pope Mfg. Co.* v. *Gormully,* 144 U. S. 224; *Mercoid Corp.* v. *Mid-Continent Inv. Co.,* 320 U. S. 661; *Stokes & Smith Co.* v. *Transparent Wrap Mach. Corp.,* 156 F. 2d 198, 201 (C. C. A. 2); *Landis Machinery Co.* v. *Chaso Tool Co.,*

141 F. 2d 800, 801 (C. C. A. 6). The decision below gives new vitality to these doctrines.

In view of the above, the Government believes it desirable in the public interest that the petition for a writ of certiorari herein be granted.

J. HOWARD MCGRATH,
Solicitor General.

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